

The Knoxville Independent

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"No men living are more worthy to be trusted than those who toil up from poverty, none less inclined to take or touch aught which they have not honestly earned."—Abraham Lincoln.

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DELEGATE TO KENTUCKY FEDERATION OF LABOR

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Carpenters of Denver will receive 75 cents per hour after Oct. 1.

Bricklayers of Little Rock, Ark., have been increased from \$6 to \$7 per day.

Bricklayers, Masons and Plasterers International union paid out \$29,277 in death benefits during the past month.

Thirty-six local unions are affiliated to Elevator Constructors' International, which has a combined membership of 2,801.

Employment is steady in railroad work, and men are in demand by almost every road in Ohio, Indiana, Illinois, Maryland and Kentucky.

Typographical union of Columbus, O., gained a 20 per cent increase in wages after a two day strike. Bartenders have made good gains in conditions after a strike lasting forty-eight hours.

Messengers.

By FLORENCE MARY BENNETT
Of the Vigilantes.Lord God omnipotent, forth thou art sending
Us, as thy messengers, blessed with thy word,
Souls rich endowed and inspired with hope
unending.
Shout we, America hath girt on her sword!Sword of democracy, tempered and glowing,
Sword of the Union—free states in accord—
Sword of high righteousness, wrong overthrowing!
Shout we, America hath girt on her sword!Clear, brave, the echoes dart! Our message is sounding:
Safe be the rule of the people. O Lord,
Safe through the world, all injustice confounding!
Shout we, America hath girt on her sword!

Labor Gets a Chance.

Labor having a representative on the Council of National Defense is not in accord with the sentiments of a class of labor's opponents, as in the latter's opinion labor gets too much recognition and is being exalted and given a chance to prove the lie in the opponents' contentions. The exalting part of it is the fact that it is organized labor that is being given a chance to make its case in the world's court and there is no artificial lawyer pleading the case.

HOW SHALL WE
PAY FOR THE WAR?A Constructive Criticism on the
House Revenue Bill.

LOANS BETTER THAN TAXES

Five Reasons Why Excessive Taxes at the Outset of War Are Disadvantageous—Great Britain Example Worthy of Emulation—How the Taxes Should Be Apportioned.

By EDWIN R. A. SELIGMAN,
McVickar Professor of Political Economy, Columbia University.

On May 23, 1917, the House of Representatives passed an act "to provide revenue to defray war expenses and for other purposes." In the original bill as presented by the Committee of Ways and Means, the additional revenue to be derived was estimated at \$1,810,420,000. The amendment to the income tax, which was tacked on to the bill during the discussion in the House, was expected to yield another \$40,000,000 or \$50,000,000.

In discussing the House bill, two problems arise:

I. How much should be raised by taxation?

II. In what manner should this sum be raised?

I. How Much Should Be Raised by Taxation?

How was the figure of \$1,800,000,000 arrived at? The answer is simple. When the Secretary of the Treasury came to estimate the additional war expenses for the year 1917-18, he calculated that they would amount to some \$6,000,000,000, of which \$3,000,000,000 was to be allotted to the allies, and \$3,000,000,000 was to be utilized for the domestic purposes. Thinking that it would be a fair proposition to divide this latter sum between loans and taxes, he concluded that the amount to be raised by taxes was \$1,800,000,000.

There are two extreme theories, each of which may be dismissed with scant courtesy. The one is that all war expenditures should be defrayed by loans, and the other is that all war expenditures should be defrayed by taxes. Each theory is untenable.

It is indeed true that the burdens of the war should be borne by the present rather than the future generation; but this does not mean that they should be borne by this year's taxation.

Meeting all war expenses by taxation makes the taxpayers in one or two years bear the burden of benefits that ought to be distributed at least over a decade within the same generation.

In the second place, when expenditures approach the gigantic sums of present-day warfare, the tax-only policy would require more than the total surplus of social income. Were this absolutely necessary, the ensuing havoc in the economic life of the community would have to be endured. But where the disasters are so great and at the same time so unnecessary, the tax-only policy may be declared impracticable.

Secretary McAdoo had the right instinct and highly commendable courage in deciding that a substantial portion, at least, of the revenues should be derived from taxation. But when he hit upon the plan of 50-50 per cent., that is, of raising one-half of all domestic war expenditures by taxes, the question arises whether he did not go too far.

The relative proportion of loans to taxes is after all a purely business proposition. Not to rely to a large extent on loans at the outset of a war is a mistake.

Disadvantages of Excessive Taxes. The disadvantages of excessive taxes at the outset of the war are as follows:

1. Excessive taxes on consumption will cause popular resentment.

2. Excessive taxes on industry will disarrange business, damp enthusiasm and restrict the spirit of enterprise at the very time when the opposite is needed.

3. Excessive taxes on incomes will deplete the surplus available for investments and interfere with the placing of the enormous loans which will be necessary in any event.

4. Excessive taxes on wealth will cause a serious diminution of the incomes which are at present largely drawn upon for the support of educational and philanthropic enterprises. Moreover, these sources of support would be dried up precisely at the time when the need would be greatest.

5. Excessive taxation at the outset of the war will reduce the elasticity available for the increasing demands that are soon to come.

Great Britain's Policy.

Take Great Britain as an example. During the first year of the war she increased taxes only slightly, in order to keep industries going at top notch. During the second year she raised by new taxes only 9 per cent. of her war expenditures. During the third year she levied by additional taxes (over and above the pre-war level) only slightly more than 17 per cent. of her war expenses.

If we should attempt to do as much in the first year of the war as Great Britain did in the third year it would suffice to raise by taxation \$1,250,000,000. If, in order to be absolutely on the safe side, it seemed advisable to increase the sum to \$1,500,000,000, this should, in our opinion, be the maximum.

In considering the apportionment of the extraordinary burden of taxes in war times certain scientific principles are definitely established:

How Taxes Should Be Apportioned.

(1) The burden of taxes must be spread as far as possible over the whole community so as to cause each individual to share in the sacrifices according to his ability to pay and according to his share in the Government.

(2) Taxes on consumption, which are necessarily borne by the community at large, should be imposed as far as possible on articles of quasi-luxury rather than on those of necessity.

(3) Excises should be imposed as far as possible upon commodities in the hands of the final consumer rather than upon the articles which serve primarily as raw material for further production.

(4) Taxes upon business should be imposed as far as possible upon net earnings rather than upon gross receipts or capital invested.

(5) Taxes upon income which are necessarily severe should be both differentiated and graduated. That is, there should be a distinction between earned and unearned incomes and the latter should be a higher rate upon the larger incomes. It is essential, however, not to make the income rate so excessive as to lead to evasion, administrative difficulties, or to the more fundamental objections which have been urged above.

(6) The excess profits which are due to the war constitute the most obvious and reasonable source of revenue during war times. But the principle upon which these war-profit taxes are laid must be equitable in theory and easily calculable in practice.

The Proposed Income Tax.

The additional income tax as passed by the House runs up to a rate of 61 per cent. This is a sum unheard of in the history of civilized society. It must be remembered that it was only after the first year of the war that Great Britain increased her income tax to the maximum of 34 per cent., and that even now in the fourth year of the war the income tax does not exceed 42½ per cent.

It could easily be shown that a tax with rates on moderate incomes substantially less than in Great Britain, and on the larger incomes about as high, would yield only slightly less than the \$532,000,000 originally estimated in the House bill.

It is to be hoped that the Senate will reduce the total rate on the highest incomes to 34 per cent., or at most to 40 per cent., and that at the same time it will reduce the rate on the smaller incomes derived from personal or professional earnings.

If the war continues we shall have to depend more and more upon the income tax. By imposing excessive rates now we are not only endangering the future, but are inviting all manner of difficulties which even Great Britain has been able to escape.

Conclusion.

The House bill contains other fundamental defects which may be summed up as follows:

(1) It pursues an erroneous principle in imposing retroactive taxes.

(2) It selects an unjust and unworkable criterion for the excess-profits tax.

(3) It proceeds to an unheard-of height in the income tax.

(4) It imposes unwarranted burdens upon the consumption of the community.

(5) It is calculated to throw business into confusion by levying taxes on gross receipts instead of upon commodities.

(6) It fails to make a proper use of stamp taxes.

(7) It follows an unscientific system in its flat rate on imports.

(8) It includes a multiplicity of petty and unworkable taxes, the vexatiousness of which is out of all proportion to the revenue they produce.

The fundamental lines on which the House bill should be modified are summed up here:

(1) The amount of new taxation should be limited to \$1,250,000,000—or at the outset to \$1,500,000,000. To do more than this would be as unwise as it is unnecessary. To do even this would be to do more than has ever been done by any civilized Government in time of stress.

(2) The excess-profits tax based upon a sound system ought to yield about \$500,000,000.

(3) The income-tax schedule ought to be revised with a lowering of the rates on earned incomes below \$10,000, and with an analogous lowering of the rates on the higher incomes, so as not to exceed 34 per cent. A careful calculation shows that an income tax of this kind would yield some \$450,000,000 additional.

(4) The tax on whisky and tobacco ought to remain approximately as it is, with a yield of about \$230,000,000.

These three taxes, together with the stamp tax at even the low rate of the House bill, and with an improved automobile tax, will yield over \$1,250,000,000, which is the amount of money thought desirable.

The above program would be in harmony with an approved scientific system. It will do away with almost all of the complaints that are being urged against the present. It will refrain from taxing the consumption of the poor.

It will throw a far heavier burden upon the rich, but will not go to the extremes of confiscation. It will obviate interference with business and will keep unimpaired the social productivity of the community.

It will establish a just balance between loans and taxes and will not incur the danger of approaching either the tax-only policy or the loan-only policy. Above all, it will keep an undisturbed elastic margin, which must be more and more heavily drawn upon as the war proceeds.

TENNESSEE

Epitome of Interesting
Events That Are
Transpiring Over
the State

Nashville.—A commission was issued by Gov. Rye to H. B. Hooper of Kingsport to be first lieutenant in the First Tennessee Infantry.

Memphis.—Oscar W. Thompson, heading the "boosters' ticket," was elected president of the Memphis Travelers' association for the year.

Dyersburg.—The pastors of the various churches in Dyersburg participated in a great union service at the chautauqua tent for the benefit of the Red Cross.

Kenton.—Kenton was thronged with patriotic and liberty-loving people who came to witness a flag-raising and to hear words of patriotism by several distinguished gentlemen.

Nashville.—A large American flag that was displayed at the entrance to the Eagles' Club was burned. The authorities have offered a big reward for the capture of the vandal.

Memphis.—Dentists from all parts of Tennessee are in Memphis attending the golden jubilee session of the Tennessee State Dental association, in session at the Scottish Rite cathedral.

Martin.—A stranger stepped off a southbound Illinois Central passenger train into the hands of local officers who found in his possession 72 pints of whiskey. He claimed St. Louis as his home.

Jackson.—Before a crowd of several thousand a most enthusiastic patriotic celebration took place in Court Square, when the Jackson lodge of Elks No. 132 donated a handsome United States flag to the city of Jackson.

Dyersburg.—Capt. Green of Dyersburg, a veteran of the Spanish-American war, went to Memphis to tender the services of a company of Dyer countians who want to go to the front with the new Second Tennessee regiment.

Nashville.—Maj. Hyde of the adjutant general's office has been notified by the war department that twelve automobile ambulances for the use of Tennessee regiments have been ordered sent to Nashville. They are the latest thing in field ambulances.

Chattanooga.—On the eve of their departure for Texas, 377 candidates for commissions in the artillery branch of the service received orders cancelling the previous orders for their removal to San Antonio. The engineers and coast artillerymen had already entrained for Washington and Fortress Monroe, but the field artillerymen are now without any orders to leave Fort Oglethorpe.

Knoxville.—A Newfoundland dog saved the life of Mrs. Mary K. Brice, widow of Squire J. B. Brice, who lives on Rutledge pike near here, when she was attacked by an enraged sow. The woman was attempting to drive the sow and pigs into their pen. The sow became enraged, attacked Mrs. Brice viciously, bruising her body and cutting her hands seriously. Mrs. Brice screamed to her daughter for help, but the daughter, thinking the cry came from an opposite direction, did not go to the garden. A dog belonging to the family, hearing the screams, jumped the garden fence, and, coming to the rescue, attacked the sow and scared her away.

Lexington.—Firemen Dorso Moore, Will Darden, Ollie C. Herndon, James Bird of this place and Bugler Kenzie Houston of Parsons went as recruits from the service of the Nashville, Chattanooga & St. Louis railroad for train service in France conveying troops about in that war-devastated country.

Dyersburg.—The Red Cross chapter is making every effort to secure 1,000 members by July 1. The chapter was only recently organized here, but the officers are seeking new members in every community in the county.

Dyersburg.—The city democratic executive committee met and elected John R. Hurt to fill the vacancy caused by the death of George B. Delvecchio. The committee will meet June 18 for the purpose of calling a city primary for the election of mayor and aldermen.

Bristol.—More than \$150,000 damage was done to Bristol and vicinity when Indian Creek overflowed following a cloudburst about seven miles north of here. The business district was inundated for several hours.

Chattanooga.—The site for what is to be known as a civic center in Chickamauga park was selected by Col. R. H. Pickering, Maj. E. S. Walton and Lieut. Frichard.

Clarksville.—The tobacco market has shown a decided improvement last week and several hundred thousand pounds was sold at good prices.

Knoxville.—Rev. Len G. Broughton, a minister of this city has declined an invitation to address the officer's training camps at Chattanooga and Baltimore.

"MADE IN AMERICA"

It's Good Enough
For Me!

Resolve today that everything you consume must be the product of American labor.

Tell your wife to ask the merchants for American made products only and to refuse to buy anything not "Made In America."

There is no good reason for sending your money to Europe. Keep it at home and buy better and cheaper products.



Our Query and Reply Department

Please state when, where and by whom was the sailing ship William P. Frye sunk. Also what disposition was made of her cargo.

The William P. Frye was sunk by the Prinz Eitel Friedrich on Jan. 20, 1915, off the coast of South America, carrying a cargo of wheat, which was sent to the bottom when the vessel was destroyed. The Frye sailed from Seattle on the previous Nov. 6.

Was there any relationship between the late Queen Victoria of England and the German emperor?

Queen Victoria was the emperor's grandmother.

What is the meaning of "military jurisdiction?"

There are under the constitution three kinds of military jurisdiction—one to be exercised in both peace and war, another to be exercised in time of foreign war without the boundaries of the United States or in time of rebellion or civil war within the states or districts occupied by rebels treated as belligerents and a third to be exercised in time of invasion or insurrection within the limits of the United States or during a rebellion within the limits of states maintaining adhesion to the national government, when the public danger requires its exercise.

The first of these may be called jurisdiction under military law and is found in acts of congress, prescribing rules and articles of war or otherwise providing for the government of the national forces; the second may be distinguished as military government, superseding as far as may be deemed expedient the local law and exercised by the military commander under the direction of the president with the express or implied sanction of congress, while the third may be denominated martial law proper.

What was the "necessity money" used in the north in civil war days?

That name was given to a sort of improvised paper currency that circulated during the early years of our civil war when the suspension of specie payments and the scarcity of subsidiary silver coins caused much inconvenience. The government did not begin to issue paper fractional currency, or, as it was sometimes called, postal currency, until August, 1862, and that soon gave relief in the way of small change. Before that, however, an enterprising individual of New York, John Gault by name, devised a plan for using postage stamps as currency. The stamps then issued were for 1, 2, 3, 5, up to 30 cents. In different colors, Gault invented a little metallic frame for the stamps of different denominations and by covering the face of the stamp with a thin layer of mica made it fit for circulation without being soiled. Of course the stamps had to be purchased from the government at their face value, but when framed in this way they made a very good substitute for small notes or change.

What the Label Means.

You know when you see the union label on a purchase that no childish tears are woven into its fabric.

One special duty we owe ourselves is to see that the union label is on every-thing we buy with our wages earned under a union wage scale.

The Union Label.

There is satisfaction in asking for an article bearing the union label that is not felt when you accept a nonunion article on the clerk's advice that it is more just as good. You know the statement all films bearing on the war. The is not true, but how many of us fall for the dealer's use so that with the national board in regard to the release of war films in the future.

What is the speed of a torpedo when fired from a submarine in actual warfare?

The initial speed varies with the type of torpedo, etc., but most modern torpedoes travel at the rate of thirty knots and a ward.

How many words does the average man use, and what should the vocabulary of men of wide information contain?

It is not so clear what the average is or how to compute it. There are said to be about 13,000 words in the ordinary spelling book, but the experts working under the Sage foundation, who have been investigating the subject, find the average number of words in the business letters they get is about 550. It may be truly said that business letters might be expected to use very many fewer words than business people use in the other walks of their lives. We have seen the estimate of 1,000 words given as probably about the average. Shakespeare used 15,000 words in his works, and Carlyle is said to have used about the same number in his. But for the average man's use of words it would seem that no exact account can be given.

Government Clerks to Fight.

Plans are being developed by representatives of organizations of government employees and of the American Federation of Labor to have friends make a strenuous fight on the floor of the senate to have some provision for increased salaries for government employees placed in the legislative appropriation bill. The senate appropriations committee rejected the proposed house increases.

Covington.—Devotees of Terpsichore, and even bystanders and by-standers, where her votaries "trip it as they go on the light fantastic toe," cannot teach in the public schools of Tipton county, according to the provisions of a resolution recently adopted by the board of education for a clause to that effect will be inserted in all teachers' contracts.

Nashville.—No bids were offered when the Tennessee Central railway was again put on the block by Special Master E. L. Doak. The sale was postponed until July 2.

Trezevant.—Parties living in the Mansfield community, some 49 miles east of here, found a coat belonging to E. E. Couch, who resides near here. The coat was blown that distance by the wind. Mansfield is located north of Paris, in Henry county, and a coat belonging to M. L. Couch, father of E. E. Couch, was found at Springville, also in Henry county, and this coat contained in a pocket some valuable notes and deeds of trust belonging to M. L. Couch who was killed in the storm.

Murfreesboro.—Two alleged offenders against the bone-dry law were arrested by Constable T. O. Butler, at the first tollgate on the Nashville pike. It is claimed they were returning from Nashville with an automobile loaded with something over 125 quarts of liquor.

Union City.—The commercial club of this city has recently purchased teams, road machinery, etc., at a cost of \$2,500, and has begun work in cooperation with the county to improve and rebuild the Jefferson Davis Highway.

Johnson.—Crop conditions in Washington county at this time of the year are fine, with splendid rains falling at intervals of every two or three days. Indications are good for record-breaking potato crops, as well as for corn, spring oats and all kinds of vegetables.

Nashville.—Mayor Ewing has ordered not felt when you accept a nonunion article on the clerk's advice that it is more just as good. You know the statement all films bearing on the war. The is not true, but how many of us fall for the dealer's use so that with the national board in regard to the release of war films in the future.